

## SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 13<sup>th</sup> day of August, 2001, between the Department of Housing and Urban Development ("HUD") and Conseco Finance Corp. (formerly Green Tree Financial Corporation) its subsidiaries, affiliates, successors and assignees ("Conseco Finance"). HUD and Conseco Finance together shall be referred to herein as the "Parties."

**Whereas**, Section 8(a) of the Real Estate Settlement Procedures Act ("RESPA"), 12 USC §2607(a), requires that "[n]o person shall give and no person shall accept any fees, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.";

**Whereas**, HUD instituted an inquiry and investigation into certain practices of Conseco Finance relating to the reduction of interest rates charged on commercial loans that financed inventory of manufactured home dealers ("Floorplan Financing"); and which rate reductions on Floorplan Financing allegedly arose when Conseco Finance also provided retail financing to buyers who purchased manufactured homes that had been floorplan financed by Conseco Finance and used residential real property as collateral to secure the repayment of the retail financing (the "Land/Home Purchase Loans");

**Whereas**, Conseco Finance has provided HUD with information about the volume of Land/Home Purchase Loans made when reduced interest rate Floorplan Financing was in place;

**Whereas**, as a result of its inquiry and investigation, HUD determined that Conseco Finance had entered into business arrangements with manufactured home dealers that promoted lower commercial floorplan inventory costs to dealers allegedly in exchange for the referral of new retail loans under its Retail Rewards, Rewards Plus and TLC programs, in violation of Section 8(a) of RESPA;

**Whereas**, Conseco Finance later compensated dealers for performing certain settlement services on Land/Home Purchase Loans at a rate of 1.5% (up to \$1,850.00) per loan, but HUD asserts that no separate and distinct services other than those primary services already being conducted by dealers as retail sellers of manufactured homes appear to have been rendered, and HUD alleges that such compensation was paid in violation of Section 8(a) of RESPA;

**Whereas**, Conseco Finance represents that it both stopped the practice of using Retail Rewards, Rewards Plus and TLC programs, and further discontinued paying manufactured housing dealers for performing settlement services on Land/Home Purchase Loans on or before March 31, 2001.

**Whereas**, Conseco Finance denies that the above mentioned programs and the payments for the performance of settlement services on Land/Home Purchase Loans violated Section 8(a) of RESPA.

**Whereas**, this Settlement Agreement shall not constitute an admission of liability or fault on the part of either of the Parties;

Whereas, the parties desire to avoid further expenses and proceedings, and to reach a mutually satisfactory resolution of this matter by entering into this Settlement Agreement;

Whereas, this Settlement Agreement covers only those practices of Conseco Finance identified herein, known to and alleged by HUD regarding the Retail Rewards, Rewards Plus, TLC programs, and the later practice of Conseco Finance of paying dealers allegedly for settlement services rendered;

Whereas, the terms set forth in this Settlement Agreement are an appropriate disposition of this matter and in the public interest;

**NOW THEREFORE**, in consideration of the mutual promises and representations set forth herein, and in further consideration of HUD's reliance on the truthfulness of Conseco Finance's information, the parties hereby agree to, and intend to be legally bound by, the following:

- (1) Conseco Finance will comply with RESPA and its implementing regulations;
- (2) Conseco Finance will not reinstitute, revise and/or administer the Retail Rewards, Rewards Plus, TLC, or any other volume-based compensation program which offers manufactured home dealers reduced interest rates for commercial Floorplan Financing when Conseco Finance also provides retail Land/Home Purchase Loans;
- (3) Conseco Finance will only pay to manufactured home dealers fees for actual settlement services rendered in full compliance with HUD's Policy Statement 1999-1 dated February 22, 1999 that are necessary and distinct from a dealer's primary services as a retail seller of manufactured homes, and such fees may only be paid when Conseco Finance complies with the full disclosure requirements recited in paragraph (4) below;
- (4) Conseco Finance will disclose and report accurately and completely on the Good Faith Estimate and Form HUD-1 to the retail borrower, all costs and fees associated with distinct dealer settlement services actually rendered as stated in paragraph (3) above;
- (5) Within ten (10) business days of execution of this Settlement Agreement, Conseco Finance shall remit payment to the United States Department of Housing and Urban Development in the amount of \$190,000.00 (one hundred ninety thousand dollars);
- (6) Conseco Finance waives, releases, and remits any and all claims directly or indirectly against HUD or HUD employees whether known or unknown, with respect to this matter. HUD releases any and all claims as identified herein and known at the time of execution of this Settlement Agreement that might be made with regard to this matter against Conseco Finance;
- (7) Based on Conseco Finance's compliance with the terms of this Settlement Agreement, HUD will terminate its investigation and take no further enforcement action against Conseco under Section 8(a) of RESPA with regard to Land/Home Purchase Loans, which are the subject of this Settlement Agreement, entered into prior to the date of execution of this Settlement Agreement;
- (8) Each of the Parties shall bear its own attorney's fees and costs;

(9) This Settlement Agreement applies to and binds each of the persons or entities identified in the first paragraph of this Settlement Agreement; and

(10) Should HUD intend to publicize this settlement, other than through disclosures required by law, HUD will afford Conseco Finance contemporaneous notice of any public disclosure of the settlement.

**WHEREFORE**, the Parties hereto have duly executed this Settlement Agreement, effective when executed by HUD.

Date: August 13, 2001

CONSECO FINANCE CORP.

By: Brian F. Corey

Signature: [Signature]

Title: Senior Vice President & General Counsel

Date: 9/27/01

U.S. DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

By: John C. Weicher

Signature: [Signature]

Title: A/S for Housing - Federal Housing Comm